

# STATEWIDE LEASING

## FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Department of Elementary & Secondary Education	\$ 2,755,741	\$ 3,242,010	\$ 3,277,082	\$ 3,277,082
Department of Higher Education	0	0	336,452	336,452
Department of Revenue	328,617	328,617	2,169,870	2,179,870
Office of Administration	7,033,382	8,854,769	521,745	521,745
Department of Agriculture	69,441	99,289	391,828	391,828
Department of Natural Resources	1,622,512	2,183,493	2,417,281	2,300,471
Department of Economic Development	2,752,171	3,937,310	3,191,887	3,191,887
Department of Insurance	0	0	13,311	13,311
Department of Labor and Industrial Relations	696,396	799,828	922,167	922,167
Department of Public Safety	1,370,904	2,237,886	2,889,911	2,845,776
Department of Corrections	5,941,817	7,054,985	6,636,230	6,636,230
Department of Mental Health	2,431,345	2,570,262	2,729,875	2,729,875
Department of Health and Senior Services	2,492,063	2,626,693	3,913,422	3,913,422
Department of Social Services	14,465,836	18,130,810	19,272,278	19,039,822
Elected Officials	715,469	785,063	942,694	942,694
Judiciary	0	0	852,660	852,660
Operating Budget Transfer	0	3	3	3
<b>TOTAL</b>	<b>\$ 42,675,694</b>	<b>\$ 52,851,018</b>	<b>\$ 50,478,696</b>	<b>\$ 50,095,295</b>
General Revenue Fund	23,308,688	28,249,525	27,165,546	26,961,601
Federal Funds	14,030,835	17,720,754	17,378,286	17,198,830
Other Funds	5,336,171	6,880,739	5,934,864	5,934,864

## POLICY SUMMARY

The state leases approximately 550 facilities, comprising more than four million square feet of space for offices, warehouses, parking, schools, labs, and other facilities. The Division of Facilities Management in the Office of Administration is the state agency responsible for the procurement and management of leased space. This service is provided for all state agencies except the Department of Conservation, the Department of Transportation, higher education institutions and the General Assembly. The State of Missouri uses negotiation and competitive public bids to acquire leased space.

### Competitive Lease Rates and Space Consolidation Efforts in Facilities Management-Leasing Division

The Fiscal Year 2004-2005 biennial leasing budget includes substantial core reductions due in part to competitive lease rates, space savings achieved through lease consolidation, and other efficiencies.

### Budgeting using Benchmarks

The Division of Facilities Management-Leasing Section commissioned an analysis of comparable rental costs in various markets of the state. As shown below, the State of Missouri lease rates are within or below the market rates.

LOCATION	MARKET RANGE	STATE OF MISSOURI ACTUAL AVERAGES
St. Louis City	\$10.98 - \$18.50	\$15.98
St. Louis County	\$12.28 - \$21.88	\$17.28
Kansas City	\$ 9.53 - \$18.91	\$12.33
Cape Girardeau	\$14.90 - \$20.37	\$10.98
West Plains	\$10.68 - \$11.90	\$ 9.20
Jefferson City	\$10.66 - \$12.00	\$ 8.90
Hannibal	\$12.47 - \$14.32	\$ 9.03

## STATEWIDE LEASING

### POLICY SUMMARY (Continued)

Based on this market analysis, the Fiscal Year 2004-2005 biennial leasing budget was developed using the following per square foot budget factors for expiring leases:

<b><u>MARKET AREA</u></b>	<b><u>BUDGET FACTOR</u></b>
Metro	\$14.00
St. Louis County	\$17.00
Large City	\$10.75
Outstate	\$10.00

### **Office and Warehouse Space Consolidation**

In recent years the Division of Facilities Management-Leasing Section has consolidated state agencies where possible to improve space efficiencies. Consolidation of numerous leases into one location reduces duplication of conference rooms, break areas, restrooms, and other common areas. The Division of Facilities Management-Leasing Section is recommending further consolidation, including "hoteling" within existing leased facilities. For example, in many of the offices in rural areas several state agencies rent space for one or two people as well as part-time functions. Where possible, the Division of Facilities Management-Leasing Section will vacate those types of leases and encourage space sharing within larger leased facilities. Also, many agencies currently rent warehouse space for storage of excess furniture and material. There is currently a large-scale effort underway to reduce the amount of leased storage space. Elimination of excess items currently in storage can lead to reductions in warehouse leases, resulting in significant annual savings to the state. The Division of Facilities Management is continuing to look for areas where there is the potential for increased efficiencies in the reduction, consolidation, and sharing of space within leased facilities.

### **REALLOCATION OF CORE DOLLARS AND CENTRALIZED APPROPRIATION**

For the Fiscal Year 2004-2005 biennium, the Division of Facilities Management-Leasing Section has redirected core dollars for all continuing lease requirements, thereby significantly reducing the amount of new money needed in the leasing budget.

The Division of Facilities Management works closely with state agencies on requests to obtain space for program needs in a cost effective manner. A space analysis ensures compliance with established standards and the efficient use of space. Construction inspectors perform on-site inspections to ensure compliance with building codes and applicable laws. In addition to the centralized procurement process, the state's leasing obligations are identified in a single appropriation bill. The centralized appropriation allows for improved management of leasing costs, accountability of leasing operations, and reporting of the state's leasing activities.

Beginning in Fiscal Year 2002 the Missouri budget began using a biennial appropriations process for Statewide Leasing. As with the Capital Improvements appropriation bill, a biennial process permits the state to more efficiently and economically manage leased facilities and the leasing procurement process. [Table 1](#) summarizes the \$100.7 million enhanced statewide leasing program for the Fiscal Years 2004-2005 biennial budget.

The Division of Facilities Management-Leasing Section put into place a policy to address the issue of agency special requirement requests needed to support program delivery. Typically, these items are over and above the standard facility specifications. Agencies are required to identify and prioritize needs and submit and defend budget requests for these items to the budget office and the General Assembly.

The Fiscal Year 2004-2005 biennial leasing budget includes a contingency appropriation for rent shortfalls. It is critical to have a rent shortfall contingency appropriation in the leasing biennial budget so that the state does not default on payment of rent.

### **HISTORIC PRESERVATION, DOWNTOWN REVITALIZATION AND THE LOCATIONS OF STATE BUILDINGS**

#### **Governor Holden's Executive Order**

In Fiscal Year 2002 the Governor signed Executive Order 01-22 requiring leased facilities to be located in central downstate districts throughout the state. The Division of Facilities Management-Leasing Section is responsible for implementing the executive order in cooperation with the Missouri Departments of Economic Development and Natural Resources. The Division of Facilities Management-Leasing Section now gives preference to locations in central business and revitalization areas and in historic buildings. Projects underway include the Marquette Hotel in Cape Girardeau, the Commercial Hotel in Boonville, the Hass Building in Neosho, and the Palace Hotel in Butler.

## **STATEWIDE LEASING**

### **POLICY SUMMARY (Continued)**

#### **Old Post Office**

Private developers from St. Louis, Missouri, have proposed renovation of the historic U.S. Custom House and Post Office building located in downtown St. Louis, and commonly known as the Old Post Office. One tenant of the renovated building will be the Missouri Eastern District Court of Appeals, which was seeking space to better meet their needs. The court is currently located in the Wainwright State Office Building and the Fiscal Year 2004-2005 leasing budget includes funds for the court's new lease.

### **DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**

The Department of Elementary and Secondary Education occupies leased facilities in Jefferson City, St. Louis, and several other locations statewide for Vocational Rehabilitation and Disability Determination offices and State Schools for Severely Handicapped children.

#### **Fiscal Year 2004 Governor's Recommendations**

- \$196,879 other funds transferred in from the operating budget.
- (\$107,471) other funds reallocated to various departmental leasing budgets.
- (\$53,136) core reduction from the Fiscal Year 2003 appropriation level, including (\$48,737) general revenue.
- (\$1,200) other funds transferred to the operating budget.

### **DEPARTMENT OF HIGHER EDUCATION**

The Department of Higher Education occupies leased facilities in Jefferson City for the purpose of housing staff and operations for the Coordinating Board for Higher Education.

- \$439,365 reallocated from the Office of Administration's combined leasing budget to the Department of Higher Education's new leasing budget, including \$144,544 general revenue.
- (\$102,913) core reduction from the Fiscal Year 2003 appropriation level, including (\$23,234) general revenue.

### **DEPARTMENT OF REVENUE**

The Department of Revenue occupies leased facilities throughout the state for the State Lottery Commission.

#### **Fiscal Year 2004 Governor's Recommendations**

- \$1,958,861 reallocated from the Office of Administration's combined leasing budget to the Department of Revenue's leasing budget, including \$1,074,223 general revenue.
- \$10,000 for increased leasing costs.
- (\$99,775) other funds transferred to the Department of Transportation's operating budget, including (\$6,660) general revenue.
- (\$17,833) other funds core reduction from the Fiscal Year 2003 appropriation level.

### **OFFICE OF ADMINISTRATION**

Beginning with the Fiscal Year 1995 budget, appropriations for leasing have been consolidated into one appropriation bill. As part of the consolidated effort, all multi-tenant leases have been consolidated to the Office of Administration. Rent for the Divisions of General Services, Design and Construction, Facilities Management, Information Services, Budget and Planning, and the Ethics Commission is paid by the Office of Administration.

#### **Fiscal Year 2004 Governor's Recommendations**

- (\$2,251,525) reallocated to the Department of Social Services' leasing budget, including (\$1,273,531) general revenue.
- (\$1,762,827) reallocated to the Department of Revenue's leasing budget, including (\$914,150) general revenue.
- (\$825,155) reallocated to the Judiciary's leasing budget, including (\$701,659) general revenue.
- (\$594,500) reallocated to the Department of Natural Resources' leasing budget, including (\$89,175) general revenue.
- (\$518,286) reallocated to the Department of Public Safety's leasing budget, including (\$481,937) general revenue.
- (\$439,365) reallocated to the Department of Higher Ed leasing budget, including (\$144,544) general revenue.
- (\$437,438) reallocated to the Department of Corrections' leasing budget.

## **STATEWIDE LEASING**

### **OFFICE OF ADMINISTRATION (Continued)**

- (\$298,590) reallocated to the Department of Agriculture's leasing budget.
- (\$280,458) reallocated to the Department of Health and Senior Services' leasing budget, including (\$92,371) general revenue.
- (\$258,637) transferred to the Office of Administration's operating budget.
- (\$201,371) reallocated to the Department of Mental Health's leasing budget.
- (\$188,248) reallocated to the Secretary of State's leasing budget, including (\$187,991) general revenue.
- (\$147,569) core reduction from the Fiscal Year 2003 appropriation level, including (\$146,729) general revenue.
- (\$46,840) reallocated to the Department of Economic Development's leasing budget.
- (\$39,068) other funds reallocated to the Department of Labor and Industrial Relations' leasing budget.
- (\$35,048) core reduction from the Fiscal Year 2003 appropriation level.
- (\$8,099) other funds reallocated to the Department of Insurance's leasing budget.

### **DEPARTMENT OF AGRICULTURE**

The Department of Agriculture occupies leased facilities in Jefferson City, Kansas City, and several other locations statewide for the Divisions of Grain Inspection and Warehousing, Market Development, Plant Industries, and the State Milk Board.

#### **Fiscal Year 2004 Governor's Recommendations**

- \$314,602 reallocated from the Office of Administration's combined leasing budget to the Department of Agriculture's leasing budget.
- (\$16,113) other funds core reduction from the Fiscal Year 2003 appropriation level.
- (\$5,950) transferred to the Department of Agriculture's operating budget.

### **DEPARTMENT OF NATURAL RESOURCES**

The Department of Natural Resources occupies leased facilities throughout the state for the Division of Energy, the Division of State Parks, and the regional offices of the Water Protection and Soil Conservation Division and the Air and Land Protection Division.

#### **Fiscal Year 2004 Governor's Recommendations**

- \$594,500 reallocated from the Office of Administration's lease and/or state owned budget to the Department of Natural Resource's leasing budget, including \$89,175 general revenue.
- \$40,989 other funds for new space.
- (\$518,511) core reduction from the Fiscal Year 2003 appropriation level, including (\$34,811) general revenue.

### **DEPARTMENT OF ECONOMIC DEVELOPMENT**

The Department of Economic Development occupies leased facilities in Jefferson City, St. Louis, and several other locations statewide for the Divisions of Workforce Development, Finance, Credit Unions, Tourism, Motor Carriers and Railroad Safety, Professional Registration, and the Public Service Commission.

#### **Fiscal Year 2004 Governor's Recommendations**

- \$63,400 reallocated from the Office of Administration's combined leasing budget to the Department of Economic Development's leasing budget, including \$46,840 general revenue.
- (\$590,009) core reduction from the Fiscal Year 2003 appropriation level, including (\$26,684) general revenue.
- (\$217,014) other funds transferred from the Department of Economic Development's leasing budget to the Department of Transportation's operating budget.
- (\$1,800) transferred from the Department of Economic Development's leasing budget to Department of Economic Development's operating budget.

## **STATEWIDE LEASING**

### **DEPARTMENT OF INSURANCE**

The Leasing budget includes funds for parking leases for the Department of Insurance.

#### **Fiscal Year 2004 Governor's Recommendations**

- \$14,211 other funds reallocated to Department of Insurance's leasing budget.
- (\$900) other funds transferred to Department of Insurance's operating budget.

### **DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

The Department of Labor and Industrial Relations occupies leased facilities throughout the state for the director and staff, Commission on Human Rights, Labor Commission, State Board of Mediation, and the Divisions of Employment Security, Workers' Compensation, and Labor Standards.

#### **Fiscal Year 2004 Governor's Recommendations**

- \$172,189 other funds reallocated to the Department of Labor and Industrial Relations' leasing budget.
- (\$30,811) transferred to the Department of Labor and Industrial Relations' operating budget.
- (\$19,039) core reduction from the Fiscal Year 2003 appropriation level.

### **DEPARTMENT OF PUBLIC SAFETY**

The Department of Public Safety occupies leased facilities throughout the state for the Missouri State Highway Patrol, the Adjutant General, and the Gaming Commission.

#### **Fiscal Year 2004 Governor's Recommendations**

- \$561,376 reallocated from various other leasing budgets, including \$481,937 general revenue.
- \$350,000 federal funds for the National Guard to meet federally mandated leasing requirements.
- (\$214,746) core reduction from the Fiscal Year 2003 appropriation level, including (\$212,597) general revenue.
- (\$88,740) transferred to the Department of Public Safety's operating budget, including (\$1,425) general revenue.

### **DEPARTMENT OF CORRECTIONS**

The Department of Corrections occupies leased facilities throughout the state for the Office of the Director, the Board of Probation and Parole, and Missouri Vocational Enterprises.

#### **Fiscal Year 2004 Governor's Recommendations**

- \$30,457 reallocated to the Department of Corrections' leasing budget.
- (\$297,841) transferred to the Department of Correction's operating budget.
- (\$151,371) core reduction from the Fiscal Year 2003 appropriation level, including (\$31,750) general revenue.

### **DEPARTMENT OF MENTAL HEALTH**

The Department of Mental Health occupies leased facilities throughout the state for the Office of the Director and the Divisions of Alcohol and Drug Abuse, Comprehensive Psychiatric Services, and Mental Retardation/Developmental Disabilities.

#### **Fiscal Year 2004 Governor's Recommendations**

- \$240,678 general revenue reallocated to the Department of Mental Health's leasing budget.
- \$1,619 general revenue transferred to the Department of Mental Health's leasing budget from the Department of Mental Health's operating budget.
- (\$58,438) transferred to the Department of Mental Health's operating budget, including (\$55,401) general revenue.
- (\$24,246) core reduction from the Fiscal Year 2003 appropriation level, including (\$2,000) in general revenue.

## **STATEWIDE LEASING**

### **DEPARTMENT OF HEALTH AND SENIOR SERVICES**

The Department of Health and Senior Services occupies leased facilities throughout the state for local and district offices to support its operations.

#### **Fiscal Year 2004 Governor's Recommendations**

- \$1,309,105 reallocated to the Department of Health and Senior Services' leasing budget, including \$729,131 general revenue.
- (\$22,376) general revenue core reduction from the Fiscal Year 2003 appropriation level.

### **DEPARTMENT OF SOCIAL SERVICES**

The Department of Social Services occupies leased facilities throughout the state for the Divisions of Aging, Child Support Enforcement, Data Processing, Family Services, General Services, Legal Services, Medical Services, and Youth Services.

#### **Fiscal Year 2004 Governor's Recommendations**

- \$1,207,366 reallocated to the Department of Social Services' leasing budget, including \$773,300 general revenue.
- \$230,330 for the Department of Social Services' special requirements, including \$185,791 general revenue.
- (\$413,084) core reduction from the Fiscal Year 2003 appropriation level, including (\$137,148) in general revenue.
- (\$115,600) transferred to the Department of Social Services' operating budget, including (\$68,200) general revenue.

### **ELECTED OFFICIALS**

The Attorney General, State Auditor, and State Treasurer occupy leased facilities and/or parking in Jefferson City, St. Louis, Kansas City, Springfield, and Cape Girardeau.

#### **Fiscal Year 2004 Governor's Recommendations**

- \$253,104 reallocated to various elected officials' leasing budgets, including \$221,546 general revenue.
- (\$93,553) core reduction from the Fiscal Year 2003 appropriation level, including (\$16,536) general revenue.
- (\$1,920) transferred to various elected officials' operating budgets.

### **JUDICIARY**

The Judiciary occupies leased facilities in Jefferson City for the Office of State Courts Administrator.

#### **Fiscal Year 2004 Governor's Recommendations**

- \$852,660 reallocated to the Judiciary's leasing budget, including \$723,164 general revenue.

### **OPERATING BUDGET TRANSFER**

Statewide leasing appropriations can only be used for rent and systems furniture payments in leased facilities. This transfer mechanism allows monies to be transferred from the leasing budget to the operating budget when funds are needed in state-owned rather than leased facilities. All transfers are cost neutral.

#### **Fiscal Year 2004 Governor's Recommendations**

Continue funding at current level.